

Message Text

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ORIGIN EB-08

INFO OCT-01 ISO-00 AF-08 ARA-10 EA-09 EUR-12 NEA-10
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USIE-00 INRE-00 AGRE-00 COME-00 INR-07 LAB-04
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DRAFTED BY EB/OT/STA:JSSPIRO:MH
APPROVED BY EB/OT/STA:JSSPIRO
S/S - MR. GAMBLE

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FM SECSTATE WASHDC
TO AMEMBASSY ATHENS IMMEDIATE
AMEMBASSY BELGRADE IMMEDIATE
AMEMBASSY BERN IMMEDIATE
AMEMBASSY BOGOTA IMMEDIATE
AMEMBASSY BONN IMMEDIATE
AMEMBASSY BRASILIA IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BUCHAREST IMMEDIATE
AMEMBASSY BUDAPEST IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY DUBLIN IMMEDIATE
AMCONSUL HONG KONG IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY MADRID IMMEDIATE
AMEMBASSY MEXICO IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY ROME IMMEDIATE
AMEMBASSY SEOUL IMMEDIATE
AMEMBASSY TAIPEI IMMEDIATE
AMEMBASSY VIENNA IMMEDIATE
AMEMBASSY WARSAW IMMEDIATE
AMEMBASSY PRAGUE IMMEDIATE
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AMEMBASSY PORT AU PRINCE IMMEDIATE
AMEMBASSY STOCKHOLM IMMEDIATE
AMEMBASSY MANILA IMMEDIATE
AMEMBASSY SAN JOSE IMMEDIATE
AMEMBASSY OSLO IMMEDIATE
USLO PEKING IMMEDIATE
AMEMBASSY LISBON IMMEDIATE
AMEMBASSY MONTEVIDEO IMMEDIATE
USDEL SECRETARY IMMEDIATE
INFO USMISSION EC BRUSSELS IMMEDIATE

USMISSION GENEVA IMMEDIATE
USDEL MTN GENEVA IMMEDIATE
USMISSION OECD PARIS IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: PRESIDENTIAL DECISION ON NON-RUBBER FOOTWEAR

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REF: STATE 29943

1. FOLLOWING IS STR PRESS RELEASE ON THE PRESIDENTIAL
DECISION ON NON-RUBBER FOOTWEAR TOGETHER WITH A FACT
SHEET: BEGIN TEXT:

PRESIDENT LAUNCHES NEW TRADE ADJUSTMENT EFFORT: SEEKS
TEMPORARY FOOTWEAR AGREEMENTS

IN HIS FIRST MAJOR POLICY DECISION ON IMPORT RELIEF,
PRESIDENT CARTER HAS DIRECTED A MAJOR NEW FEDERAL TRADE
ADJUSTMENT EFFORT TO BE UNDERTAKEN TO ASSIST THE DOMESTIC
FOOTWEAR INDUSTRY TO BECOME MORE COMPETITIVE. AT THE
SAME TIME, IN ORDER TO FACILITATE THIS EFFORT, THE
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PRESIDENT HAS INSTRUCTED HIS SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS, AMBASSADOR ROBERT STRAUSS, TO SEEK
WITHIN THE NEXT 90 DAYS TEMPORARY AGREEMENTS WITH FOREIGN
FOOTWEAR EXPORTING NATIONS DESIGNED TO MODERATE RECENT
RAPID SHIFTS IN TRADE CAUSING INJURY TO U.S. SHOE FIRMS,
WORKERS AND COMMUNITIES. FURTHER, PRESIDENT CARTER HAS

ORDERED A FULL REVIEW OF ALL EXISTING FEDERAL TRADE
ADJUSTMENT ASSISTANCE PROGRAMS, WHICH HAVE PROVED INADE-
QUATE IN THE PAST, FOR THE PURPOSE OF DEVELOPING
RECOMMENDATIONS TO THE CONGRESS FOR AN EFFECTIVE NEW
PROGRAM, ALSO WITHIN 90 DAYS.

THE PRESIDENT DETERMINED THESE COURSES OF ACTION TO BE
IN THE NATIONAL ECONOMIC INTEREST, IN ACCORDANCE WITH THE
TRADE ACT OF 1974. IN DETERMINING THE NATIONAL ECONOMIC
INTEREST, THE PRESIDENT MUST TAKE INTO ACCOUNT CRITERIA
SPELLED OUT IN THE TRADE ACT, INCLUDING THE EFFECTS OF
ANY ACTION ON CONSUMER COSTS AND INFLATION, AND ON U.S.
EXPORTS AND TRADE RELATIONS WITH OTHER COUNTRIES, AS WELL
AS ON THE DOMESTIC MARKET.

THE DECISIONS RESULT FROM A PRESIDENTIAL REVIEW OF A
REPORT AND RECOMMENDATION FOR A FIVE-YEAR SYSTEM OF

TARIFF-RATE QUOTAS BY THE U.S. INTERNATIONAL TRADE COMMISSION, WHICH FOUND THAT THE DOMESTIC FOOTWEAR INDUSTRY IS BEING SERIOUSLY INJURED, SUBSTANTIALLY BECAUSE OF INCREASED IMPORTS OF NON-RUBBER FOOTWEAR. THE PRESIDENT REJECTED THE USITC RECOMMENDATION ON THE GROUNDS THAT IT WOULD BE HIGHLY INFLATIONARY AND THE COSTS OF SAVING AND CREATING JOBS WOULD BE EXCESSIVE. THE USITC REPORT STEMMED FROM AN INVESTIGATION REQUESTED LAST YEAR BY THE SENATE FINANCE COMMITTEE, WHICH REVIEWED AN EARLIER IMPORT RELIEF CASE FILED BY THE DOMESTIC INDUSTRY. IN THAT CASE THE USITC ALSO FOUND INJURY AND RECOMMENDED TARIFF-RATE QUOTAS OR HIGHER TARIFFS. FORMER UNCLASSIFIED

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PRESIDENT FORD CHOSE "EXPEDITED" TRADE ADJUSTMENT ASSISTANCE AS THE APPROPRIATE REMEDY IN THE NATIONAL ECONOMIC INTEREST (STR PRESS RELEASE 222).

TO HELP THE DOMESTIC SHOE INDUSTRY TO BECOME MORE COMPETITIVE, PRESIDENT CARTER HAS DIRECTED THE SECRETARIES OF COMMERCE AND LABOR TO WORK CLOSELY WITH THE SPECIAL TRADE REPRESENTATIVE TO MAKE THE "FULL RESOURCES OF THE UNITED STATES GOVERNMENT" AVAILABLE TO FIRMS, WORKERS, AND THE COMMUNITIES IN WHICH THEY ARE LOCATED, IN HELPING THEM TO MODERNIZE, TO ADJUST TO CHANGES IN CONSUMER PREFERENCES, TO INTRODUCE NEW TECHNOLOGY, AND--WHERE NECESSARY--TO RELOCATE OR MOVE INTO OTHER PRODUCTIVE WORK.

THIS ASSISTANCE WILL INCLUDE:

-- TECHNOLOGICAL SUPPORT AND GUIDANCE TO INCREASE PRODUCTION EFFICIENCY AND DEVELOP NEW METHODS FOR SHOE PRODUCTION;

-- DATA AND MARKET RESEARCH TO DEVELOP UNTAPPED OPPORTUNITIES IN THE MARKETPLACE;

-- MARKETING AND PROMOTION SERVICES TO GENERATE IMPROVED MARKETING TECHNIQUES; AND

-- FINANCIAL ASSISTANCE TO SUPPORT ALL SUCH INITIATIVES.

WHERE FIRMS CANNOT BECOME COMPETITIVE IN THEIR OWN INDUSTRY, THE GOVERNMENT WILL ASSIST THEM IN MOVING INTO OTHER PRODUCT LINES WHICH WOULD EMPLOY THEIR EXISTING SKILLS AND FACILITIES. IN THE EVENT THAT PLANTS CLOSE, EVERY EFFORT WILL BE MADE TO ASSIST AFFECTED COMMUNITIES AND WORKERS TO ATTRACT NEW INDUSTRY AND TO PROVIDE RETRAINING FOR WORKERS.

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TO RESOLVE LONGER TERM PROBLEMS OF THE SHOE INDUSTRY AND OTHER INDUSTRIES IMPACTED BY INCREASING IMPORTS, A NEW AND INTEGRATED TRADE ADJUSTMENT SYSTEM WILL BE DESIGNED AND PRESENTED TO THE CONGRESS TO REVISE THE INADEQUATE PRESENT TRADE ADJUSTMENT ASSISTANCE PROGRAMS. THE PRESIDENT WILL RECOMMEND TO THE CONGRESS WITHIN THE NEXT 90 DAYS LEGISLATION REQUIRED TO ASSURE THAT PARTICULAR FIRMS, COMMUNITIES, AND GROUPS OF WORKERS ARE NOT FORCED TO BEAR ALONE THE COSTS OF THE BENEFITS TO ALL AMERICANS OF EXPANDED TRADE.

TO DEAL WITH THESE PROBLEMS, OTHER FEDERAL PROGRAMS AS WELL AS TRADE ADJUSTMENT ASSISTANCE PROGRAMS WILL BE THOROUGHLY REVIEWED TO DEVELOP WAYS IN WHICH OTHER INDUSTRIES EXPERIENCING PROBLEMS CAUSED BY SHIFTING PATTERNS OF TRADE, SIMILAR TO THOSE FACED BY THE SHOE INDUSTRY, CAN BECOME MORE EFFICIENT AND COMPETITIVE.

AMBASSADOR STRAUSS HAS BEEN DIRECTED TO SEEK AGREEMENTS INITIALLY WITH THE APPROPRIATE IMPORT SUPPLIERS. IMPORT LEVELS WILL BE SOUGHT WHICH PROVIDE THE OPPORTUNITY FOR THE DOMESTIC INDUSTRY TO ADJUST, WITHOUT SERIOUS INFLATIONARY IMPACT. IF NEW PROBLEMS ARISE WITH RESPECT TO OTHER SUPPLIERS, CONSULTATIONS WILL BE SOUGHT TO PREVENT FURTHER DISRUPTION OF THE U.S. MARKET.

THE PRINCIPAL SHOE IMPORT SUPPLIERS ARE THE REPUBLICS OF CHINA AND KOREA, BRAZIL, SPAIN AND ITALY, WHICH ACCOUNT FOR 80 PERCENT OF U.S. IMPORTS OF NON-RUBBER FOOTWEAR. THE REPUBLICS OF CHINA AND KOREA HAVE RECORDED THE LARGEST GAINS SINCE 1974, EQUIVALENT TO THE OVERALL INCREASE OF IMPORTS OF 104 MILLION PAIRS.

ORDERLY MARKETING AGREEMENTS, WHICH ARE AUTHORIZED UNDER THE TRADE ACT, ARE FORMAL TRADE AGREEMENTS BETWEEN UNCLASSIFIED

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GOVERNMENTS. THEY ARE INTENDED TO BE USED AS VEHICLES FOR REQUIRED TEMPORARY IMPORT ADJUSTMENT, AND MAY BE MODIFIED OR TERMINATED BY THE PRESIDENT AT ANY TIME, TAKING INTO ACCOUNT THE ADVICE OF THE SECRETARIES OF COMMERCE AND LABOR AND THE USITC.

FACTS ON THE NON-RUBBER FOOTWEAR INDUSTRY

THE SHOE INDUSTRY HAS BEEN ATTEMPTING TO GET GOVERNMENT ACTION TO STEM IMPORTS FOR ALMOST A DECADE. FIVE SEPARATE INVESTIGATIONS HAVE BEEN CONDUCTED, WITH RELIEF DENIED AS RECENTLY AS LAST YEAR. DURING THIS PERIOD THE NUMBER OF FIRMS IN THE INDUSTRY HAS DECLINED BY ABOUT 40

PERCENT (FROM 600 TO 378), AND EMPLOYMENT BY 30 PERCENT (FROM 233,000 TO 165,000). UNEMPLOYMENT IN THE INDUSTRY IS AT 14.7 PERCENT COMPARED TO A NATIONAL RATE OF 8.6 PERCENT.

DURING THE SAME PERIOD, 1968-1976, WHILE DOMESTIC PRODUCTION OF SHOES DECLINED BY ALMOST ONE-THIRD (WITH A SLIGHT RECOVERY IN 1976), IMPORTS DOUBLED, MOVING FROM A U.S. MARKET SHARE OF ONE-FIFTH TO ALMOST ONE-HALF. IN 1968 MOST OF THESE IMPORTS WERE LEATHER, PRIMARILY FROM ITALY AND SPAIN, WITH A SUBSTANTIAL VOLUME OF VINYL SHOES FROM JAPAN, AND A LESSER AMOUNT FROM TAIWAN. NOW THE MARKET POSITIONS HAVE SHIFTED SO THAT BY VOLUME TAIWAN IS THE LARGEST EXPORTER TO THE UNITED STATES (156 MILLION PAIR), FOLLOWED BY ITALY (47 MILLION), KOREA (44 MILLION), SPAIN (39 MILLION), AND BRAZIL (27 MILLION). THE VALUE OF U.S. NON-RUBBER FOOTWEAR IMPORTS IN 1976 WAS \$1.45 BILLION.

SINCE 1974, THE VOLUME OF SHOE IMPORTS INTO THE UNITED STATES HAS INCREASED BY ABOUT 103 MILLION PAIRS. WHILE OTHER COUNTRIES HAVE RECORDED INCREASES, KOREA AND TAIWAN HAVE ACCOUNTED FOR BY FAR THE LARGEST ABSOLUTE GAIN AND UNCLASSIFIED

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ARE RESPONSIBLE FOR ALMOST ALL OF THIS INCREASE.

THE TREND IN THE DOMESTIC INDUSTRY IS TOWARD CONCENTRATION, WITH THE 21 LARGEST FIRMS PRODUCING OVER HALF OF DOMESTIC OUTPUT. A NUMBER OF THE SMALLER FIRMS CANNOT COMPETE PROFITABLY WITH IMPORTS. THE GREATEST DIFFICULTY THE U.S. INDUSTRY HAS IS THE DIFFERENTIAL IN WAGES BETWEEN DEVELOPING COUNTRIES AND OUR OWN (FROM \$.59 TOTAL COMPENSATION PER HOUR IN KOREA TO \$4.33 IN THIS COUNTRY).

KEY STATISTICAL DATA ARE ATTACHED.

KEY NON-RUBBER FOOTWEAR DATA

A) PRODUCTION, IMPORTS, CONSUMPTION (MILLION PAIRS)

YEAR	PRODUCTION	IMPORT/		RATIO
		IMPORTS	CONSUMPTION	
1968	642	182	822	22 PCT
1970	562	242	802	30
1972	527	297	821	36
1974	453	266	715	37
1975	413	288	696	41
1976	444	370	808	46

B) STATES PRODUCING 5 PERCENT OR MORE OF U.S. NON-RUBBER
FOOTWEAR OUTPUT (LATEST DATA ARE FOR 1973)

PENNSYLVANIA	14PCT	TENNESSEE	8 PCT
NEW YORK	10	MAINE	6
MASSACHUSETTS	10	NEW HAMPSHIRE	5
MISSOURI	10		

C) AVERAGE EMPLOYMENT (THOUSANDS)
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YEAR	UNEMPLOYMENT		
	ALL PERSONS	PRODUCTION WORKERS	RATE
1968	233	204	4.0 PCT
1970	214	186	6.9
1972	198	172	7.2
1974	178	154	7.5
1975	163	141	13.3
1976	170	148	11.0
1977-JAN.	163	142	12.6
FEB.	165	144	14.7

D) RATIO OF NET OPERATING PROFIT (OR LOSS) BEFORE TAXES TO
SALES OF FOOTWEAR PROCUDERS(FOOTWEAR OPERATIONS ONLY) (SEE
FOOTNOTE)

SIZE GROUP	1976 (6 MOS.)	1975 (6 MOS.)
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UNDER 200,000 PAIR/YR	2.8	2.5
200,000-499,000	4.2	0.4
500,000-999,000	4.8	(2.3)
1,000,000-1,999,000	6.4	3.5
2,000,000-3,999,999	7.5	7.2
OVER 4,000,000	8.2	4.2
TOTAL--ALL GROUPS	7.2	3.9

(FOOTNOTE: BASED ON USITC SAMPLE)

E) PRINCIPAL FOREIGN SUPPLIERS

	PCT		
	MILLIONS OF PAIRS		OF TOTAL 1976 IMPORTS
	1976	BY QUANTITY	
ITALY	47.2	12.8PCT	22.9 PCT
SPAIN	38.7	10.5	16.2
TAIWAN	155.7	42.1	19.3
BRAZIL	26.7	7.2	9.6
KOREA	44.0	11.9	11.4
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OTHER	51.7	15.5	20.6
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370.0 100.0 100.0

END TEXT.

2. ACTION REQUESTED: U.S. MISSION OECD PARIS INFORM
OECD SECRETARIAT. US MISSION GENEVA NOTIFY THE GATT
SECRETARIAT REQUESTING THAT CITED TEXT BE CIRCULATED FOR
THE INFORMATION OF THE CONTRACTING PARTIES.
CHRISTOPHER

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Sent Date: 02-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE072282
Document Source: ADS
Document Unique ID: 00
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Executive Order: N/A
Errors: n/a
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Film Number: D770113-1188
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Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t197704103/baaaevpe.tel
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Type: TE
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